

# FOREIGN POLICY REPORTS

February 1, 1937

FEB 9 1937

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## American Policy in the Far East

BY T. A. BISSON

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PUBLISHED TWICE A MONTH BY THE

Foreign Policy Association, Incorporated

EIGHT WEST FORTIETH STREET, NEW YORK, N. Y.

VOLUME XII NUMBER 22 *25¢ a copy \$5.00 a year*

# American Policy in the Far East

BY T. A. BISSON

*with the aid of the Research Staff of the Foreign Policy Association*

SINCE September 18, 1931 the United States has been continuously dealing with issues in the Far East which, both in intrinsic difficulty and potential significance, probably outweigh any other phase of American foreign policy. No definite limits to the scope of Japan's program of Asiatic expansion, launched more than five years ago, have yet been established. In 1936 Japan pushed home its challenge to Western interests in China on a number of fronts, notably through its increased political and economic control of north China and its large-scale smuggling operations. During the past year, also, the Chinese people exhibited a growing determination, backed by a greater measure of political unity, to resist further Japanese encroachments. As this tendency gained strength, it confronted Japan's leaders with a fateful decision: should they carry their expansionist program to the point where it would involve a wholesale war of conquest in China?

In view of this critical situation, the objectives and methods of American policy in the Far East are of more than ordinary importance. Despite the prevalent view that the United States has in recent years adopted a negative attitude toward the Far East, or is even preparing to withdraw from its commitments in that area, this country has in fact continued to play an active rôle in Pacific affairs. A partial list of recent developments affecting the Far East, in which the United States has actively participated, would include such items as the London Naval Conference, the agreement to purchase China's silver, issues affecting the new state of "Manchoukuo," the inauguration of a trans-Pacific airline, the technical and financial aid rendered to Chinese aviation, and the Philippine Independence Act. In some of these instances, recent developments have introduced new factors into the relations of the United States with the Far East. On the whole, however, the older problems affecting the open door policy in China and relative naval strengths in the Pacific have remained the basic concern of American policy. Clearly marked prece-

dents for dealing with these fundamental issues have been adhered to with remarkable fidelity by the American government in the past few years.

## THE WORLD WAR CRISIS, 1914-1921

In surveying the new Far Eastern epoch which dates from September 1931, many observers have been struck by the similarities which it presents to an earlier period—the years from 1914 to 1921. At that time Japanese expansion on the Asiatic mainland was no less extensive than in recent years. By 1921 Japan had greatly enlarged its political and economic interests in Manchuria, entrenched itself in Shantung province, secured special rights in Fukien province and the Yangtze valley, and spread its troops over wide areas of eastern Siberia. These results had been obtained in various ways: declaration of war on Germany and military occupation of the German leased territory in Shantung province; the Twenty-one Demands on China and the resulting Sino-Japanese treaties and notes of May 25, 1915; and continued occupation of sections of Siberia, following withdrawal of the inter-Allied expedition in 1920.

This historical parallel to Japan's continental expansion since September 18, 1931 is no less striking when American policy during these respective periods is compared. During the earlier period, faced with the exigencies of the war, the United States took no more than formal exception to the actions of Japan. In May 1915, at the time of the Twenty-one Demands, the American government sent identic notes to China and Japan, declaring that it could not "recognize any agreement or undertaking . . . impairing the treaty rights of the United States and its citizens in China, the political or territorial integrity of the Republic of China, or the international policy relative to China commonly known as the open door policy."<sup>1</sup> Later, on May 31, 1921, the American government noti-

1. U. S. Department of State, *Foreign Relations of the United States, 1915* (Washington, Government Printing Office), p. 146.

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FOREIGN POLICY REPORTS, VOLUME XII, NUMBER 22, FEBRUARY 1, 1937

Published twice a month by the FOREIGN POLICY ASSOCIATION, Incorporated, 8 West 40th Street, New York, N. Y., U.S.A. RAYMOND LESLIE BUELL, *President*; WILLIAM T. STONE, *Vice President and Washington representative*; VERA MICHELES DEAN, *Editor*; HELEN TERRY, *Assistant Editor. Research Associates*: T. A. BISSON, VERA MICHELES DEAN, HELEN H. MOORHEAD, DAVID H. POPPER, ONA K. D. RINGWOOD, CHARLES A. THOMSON, M. S. WERTHEIMER, JOHN C. DEWILDE. Subscription Rates: \$5.00 a year; to F.P.A. members \$3.00; single copies 25 cents. Entered as second-class matter on March 31, 1931 at the post office at New York, N.Y., under the Act of March 3, 1879.

fied Tokyo that it could not acquiesce in actions taken by Japan "which might impair existing treaty rights or the political or territorial integrity of Russia."<sup>2</sup> These protests were delivered independently of any other power, and were not backed by any form of military or naval pressure. Essentially, the American government reserved the right during these years to deal with the new situation created in the Far East at some later and more opportune time.

Conditions for such an attempt had matured by the middle of 1921. Japan was confronted with growing obstacles both in China and Siberia, as well as at home, and the European powers were prepared to take their cue from the United States. China, which had been a pliant tool in Japan's hands during the war, was stirring with revolt. The refusal of China's delegates to sign the Versailles Treaty reflected the emergence of a strong Chinese nationalist movement initiated by student demonstrations which drove the pro-Japanese Anfu clique from office in Peking in June 1919. By the spring of 1921 Japan was also beginning to encounter serious difficulties in prosecuting the Siberian interventionist campaign. The Far Eastern Republic, whose officials at Chita were closely connected with the Soviet government at Moscow, was steadily gaining strength. Lack of success attending intervention, combined with its high costs which ultimately totaled 700 million yen, was discrediting the Japanese military clique at home. Competition with the huge American naval building program, which was reaching its peak in 1921, was further straining the Japanese budget. Viscount Kato's parliamentary attack on Mr. Hara's government in January 1921, in which he charged that the military policy was not justified by its results, marked the beginning of the rise to power of the Japanese liberals, who were to dominate Japan's political life through most of the succeeding decade in a series of Kenseikai and Minseito cabinets. These various factors led Japan to accept with but minor qualifications President Harding's invitation, extended on July 27, 1921, to participate in the deliberations of the Washington Conference.

#### THE WASHINGTON CONFERENCE SETTLEMENT

The treaties signed at Washington, along with accompanying agreements and pledges, constituted a broad compromise between the interests of Japan and the Western powers in the Pacific.<sup>3-4</sup> In return for a guaranteed status of naval and military se-

curity in the Far East, Japan withdrew from its more advanced positions on the Asiatic mainland and accepted certain self-denying covenants with regard to China. The 5-5-3 naval ratio established between Britain, the United States and Japan in the Five-Power Treaty, taken with the provision to maintain the *status quo* on fortifications and naval bases in a wide radius surrounding Japanese possessions, made it impossible for either Britain or the United States, acting singly, to attack Japan with any prospect of success. Any threat of a combined attack on Japan was removed by the Four-Power Treaty, by which France, Britain, the United States and Japan agreed to respect each other's insular possessions and dominions in the Pacific. This agreement was also designed to take the place of the Anglo-Japanese alliance, which ended with ratification of the Four-Power Treaty.

Japan, on the other hand, made a number of important pledges in the Nine-Power Treaty. Along with the other powers it promised to respect China's sovereignty, independence and territorial and administrative integrity, to provide China the fullest and most unembarrassed opportunity to develop and maintain an effective and stable government, to uphold the principle of the open door throughout China, and not to take or support any action designed to create spheres of interest or mutually exclusive opportunities in designated parts of Chinese territory. Parallel with the conference sessions, China and Japan engaged in negotiations attended by neutral observers which culminated in an agreement restoring Shantung province to China.<sup>5</sup> Japan also stated in the course of the conference that it intended to evacuate Siberia when conditions made such a step possible—a declaration carried out in 1922.<sup>6</sup> While the Chinese delegates made several efforts to attack the validity of the Sino-Japanese treaties signed as a result of the Twenty-one Demands, Japan clung firmly to its new rights in Manchuria acquired under these treaties.

Although the compromise settlement reached at the Washington Conference worked fairly well for nearly a decade, it lacked two essential provisions. It failed to set up a permanent international organ to handle issues arising out of the Nine-Power Treaty.<sup>7-8</sup> Provision for establishing in

5. Under terms carried out in 1923, after further negotiations over details of the transfer.

6. Excluding northern Sakhalin Island, which was not returned to Russia until the agreement for resumption of Russo-Japanese diplomatic relations was signed in January 1925.

7-8. The fact that the U.S.S.R. was not a signatory of the Washington treaties, and that neither the Soviet Union nor the United States was a member of the League of Nations, left an additional hiatus in the peace machinery of the Pacific area.

2. *Ibid.*, 1921, p. 704.

3-4. For texts of the treaties and resolutions, cf. *Conference on the Limitation of Armaments*, pp. 1569-1659.

China a Board of Reference of the Nine-Power Treaty signatories was made in Resolution IV, but exceptions taken by certain powers at the conference greatly restricted the competence of this proposed board.<sup>9</sup> In the end, it was never established. In addition to the failure to set up machinery to investigate and mediate disputes on the spot, no enforcement machinery of any sort was envisaged or established. On the contrary, by conferring on Japan virtually unrestricted supremacy in Far Eastern waters, the naval limitation treaty rendered illusory the hope of enforcing the pledges made in the Nine-Power Treaty. In the final analysis, the validity of these pledges rested solely on the good faith of Japan. Viewed from the standpoint of *real-politik*, it may be argued that Japan carried off the diplomatic palm at Washington, despite its immediate concessions on the Shantung and Siberian issues. In the long run, the Washington Conference merely postponed the day of reckoning in the Far East.

#### THE NEW CRISIS, 1931-1936

When Japanese troops opened their Manchurian offensive in September 1931, Europe and America were in the throes of depression, China was on the brink of a civil war, and the U.S.S.R.—militarily unprepared in eastern Siberia—was entering the crucial stage of the first Five-Year Plan. It soon became clear that Japan was carrying through the military operations in Manchuria with complete disregard for its commitments under the Nine-Power Treaty. The United States found itself, for different reasons, in virtually the same position it had occupied during the earlier years of the 1914-1921 period. Its energies were mainly engaged by the domestic economic crisis; effective action by the European powers was similarly limited; and the American navy, owing to the economy program of successive administrations, had fallen considerably below the 5-3 ratio with Japan, especially in under-age vessels. American policy, in these circumstances, sought to attain the same limited objective of keeping the issue open for future settlement which had been successfully pursued before the Washington Conference.

During the closing months of 1931 the State Department hoped against hope that the Japanese liberals, nominally in control of the cabinet, would be able to localize military activities in Manchuria. It refused to join a League investigation commission proposed at the outset in September, contenting itself with protests delivered at Tokyo com-

9. Cf. Raymond Leslie Buell, *The Washington Conference* (New York, D. Appleton and Company, 1922), pp. 318-19.

bined with independent support of the League resolutions.<sup>10</sup> This first phase ended on December 10, 1931 with the appointment of the League Commission of Inquiry which included an American national, Major-General Frank R. McCoy. Japanese military operations in Manchuria, however, continued to spread; the Wakatsuki Cabinet was overthrown in mid-December; and on January 7, 1932 Secretary Stimson issued the non-recognition statement. Couched in terms very nearly identical to those of Secretary Bryan's note at the time of the Twenty-one Demands, this statement enlarged the scope of the earlier *démarche* by attempting to secure universal application of the non-recognition doctrine as a sanction to the Kellogg-Briand Pact and the Nine-Power Treaty. Britain's cold response negated any such immediate effect; the State Department's inclination to invoke the Nine-Power Treaty, following upon the Shanghai hostilities, also failed to obtain Sir John Simon's support; and on February 24, 1932 Secretary Stimson issued a detailed explanation of the American position in his letter to Senator Borah.<sup>11</sup> The open invitation for international action contained in this letter was accepted by the League Assembly on March 11, 1932, when it adopted a resolution including a provision substantially similar to the Stimson non-recognition doctrine. On February 24, 1933, moreover, in its report approving the recommendations of the Lytton Commission, the Assembly included a provision obligating League members not to recognize "Manchoukuo."<sup>12</sup>

One week later the Hoover administration went out of office. Its Far Eastern policy, though based on traditional lines of action, had broken new ground in the extent and closeness of its cooperation with the League of Nations. On the whole, however, the failure of Washington and London to see eye to eye at critical moments had nullified the effectiveness of this cooperation, and Japan had pursued its aggressions virtually unchecked. Ultimate general acceptance of the non-recognition doctrine had, at best, prevented Japan from securing legal title to the gains it had in fact achieved.

The Roosevelt administration took office under domestic conditions which absorbed its energies even more completely than those of its predecessor.

10. "Conditions in Manchuria," Senate Document No. 55, 72d Congress, 1st session; also Henry L. Stimson, *The Far Eastern Crisis* (New York, Harper & Brothers, 1936), pp. 3-84.

11. Stimson, *The Far Eastern Crisis*, cited, pp. 87-183.

12. *Ibid.*, pp. 187-230; for text of the Assembly report, cf. League of Nations, *Official Journal*, Special Supplement No. 112, Annex V, pp. 56-76.



Though not immediately apparent, a considerable shift of emphasis in Far Eastern policy was effected by the new administration. The American government still sought to keep the record clear so far as the principles of the Washington Conference settlement were concerned. This was indicated not only by continued support of the non-recognition doctrine, but by the course of the naval negotiations and the tenacious efforts made to uphold the full rights of American economic intercourse with China, including "Manchoukuo."

The methods of action chosen to accomplish the basic American objectives, however, noticeably altered. Fewer protests were delivered in Tokyo, and efforts to secure international action against Japan sharply diminished. Cordial good-will messages exchanged between Foreign Minister Hirota and Secretary Hull in the spring of 1934 lent additional emphasis to the position adopted by the new administration.<sup>13</sup> This attitude was at least partially conditioned by the growing European political crisis which made it less than ever possible for the League of Nations to take effective action in the Far East. The shift from a policy of moral pressure, effected mainly under international auspices, was also underlined by the new administration's initiatives in naval matters. The American fleet was massed in the Pacific, and naval maneuvers were carried out west of Hawaii. Facilitated by the administration's spending policy, a vast naval program designed to "catch up" to treaty limits was successfully inaugurated, with but little public opposition. The more independent character of these moves did not mean that where occasions for cooperative action naturally arose, as during the naval negotiations, they were not utilized. Similarly, the agreement of November 16, 1933 establishing diplomatic relations with the U.S.S.R. opened the possibility of parallel action between two countries whose interests were equally threatened by Japan's actions.

Taken as a whole, these policies of the first Roosevelt administration carried even further the general principles underlying the Stimson policy of postponing any immediate or decisive action on the issues raised by Japanese aggression in the Far East. For an indefinite period Japan was enabled to pursue its chosen course with even greater freedom of action. Under these circumstances, progressive Japanese advances steadily undermined the Nine-Power Treaty and the naval limitation

agreements—the twin pillars of the settlement reached at Washington. But while the American government, in defense of this settlement, fought what was essentially a rear-guard action, it did not abandon the field. Its actions were stimulated by what might be interpreted as a more realistic estimate of the situation and of the methods required to deal with it.

#### NINE-POWER TREATY ISSUES

The maintenance of China's territorial and administrative integrity constitutes the more purely political aspect of the Nine-Power Treaty; its economic aspect is represented by the pledges made to uphold the open door policy in China.

As soon as it took office, the Roosevelt administration faced the necessity of determining its attitude toward the new state of "Manchoukuo," an issue which primarily concerned the first of these aspects. On February 24, 1933 the League Assembly had set up a Far Eastern Advisory Committee of twenty-one nations to facilitate settlement of the Sino-Japanese dispute in conformity with the recommendations of its Manchurian report.<sup>14</sup> An invitation requesting the adherence of the United States to this committee was dispatched on February 25, but action on this request was delayed at Washington until the new administration had been inaugurated. On March 11 Mr. Hugh R. Wilson, American Minister to Switzerland, was appointed to participate in the committee's deliberations but without the right to vote.<sup>15</sup> Thus, at the very outset, the Roosevelt administration had officially testified to its support of the non-recognition doctrine. No vigorous action on the Far Eastern question, however, was taken by the Advisory Committee. In 1934 it recommended certain routine steps in connection with enforcement of the non-recognition of "Manchoukuo," which were accepted with a few exceptions by the American government.<sup>16</sup>

Following the establishment of "Manchoukuo," Japanese military advances and political pressure in north China and Inner Mongolia raised new issues affecting China's integrity. This period was marked by three critical phases: the occupation of Jehol and invasion of north China, ending with the Tangku truce of May 31, 1933; Japanese pressure in the Peiping-Tientsin area, resulting in the Ho-Umezu agreement of June 1935; and the "au-

13. For texts, cf. U. S. State Department, *Press Releases*, March 24, 1934, pp. 160-62. In this exchange, however, the American government upheld the necessity of an international settlement.

14. League of Nations, *Official Journal*, Special Supplement No. 112, pp. 24-28.

15. *Ibid.*, Annex XIV, p. 99.

16. For details, cf. T. A. Bisson, "The New Status in the Pacific," *Foreign Policy Reports*, January 17, 1934, p. 264.

tonomy" movement of November 1935 in north China.<sup>17</sup> During the first two of these phases no open protests were made by the American government, although press reports indicated that secret diplomatic protests may have been delivered at Tokyo. In the third case, however, Secretary Hull issued a statement to the press on December 5, 1935 in which he declared:

"There is going on in and with regard to North China a political struggle which is unusual in character and which may have far-reaching effects . . . whatever the origin, whoever the agents, be what they may be the methods, the fact stands out that an effort is being made—and is being resisted—to bring about a substantial change in the political status and condition of several of China's northern Provinces . . . . In the area under reference . . . there are located, and our rights and obligations appertain to, a considerable number of American nationals, some American property and substantial American commercial and cultural activities. The American Government is closely observing what is happening there . . . . As I have stated on many occasions, it seems to this Government most important in this period of world-wide political unrest and economic instability that governments and peoples keep faith in principles and pledges . . . . This Government adheres to the provisions of the treaties to which it is a party and continues to bespeak respect for the provisions of treaties solemnly entered into for the purpose of facilitating and regulating, to reciprocal and common advantage, the contacts between and among the countries signatory."<sup>18</sup>

This statement had been preceded by conferences between Under Secretary of State Phillips and Sir Ronald Lindsay, the British Ambassador,<sup>19</sup> and on December 5 Sir Samuel Hoare, British Foreign Minister, made a declaration similar in tenor to that of the American government. In this case, as also in the non-recognition stand, the Washington authorities sought to keep the legal status clear should they decide, at some future time, to take affirmative action to uphold rights which accrued under the Nine-Power Treaty.

With regard to the second aspect of the Nine-Power Treaty, involving the open door policy in China, issues have arisen both in connection with "Manchoukuo" and China proper. Since 1932 Japanese capital investments in Manchuria have greatly increased while other foreign capital has been withdrawing, as evidenced by the closing of

foreign banking, trading and construction concerns.<sup>20</sup> The only important controversial issue, however, developed over the oil monopoly law promulgated by the "Manchoukuo" authorities in November 1934 and made effective on April 10, 1935. On several occasions the American government protested to Japan against the application of this law, and similar protests were made by Britain and the Netherlands, but to no effect.<sup>21</sup> By 1936 the Standard-Vacuum Oil Company, the Asiatic Petroleum Company and the Texas Oil Company had all closed their branches and retired from the profitable field of oil distribution in Manchuria, which they had previously controlled.<sup>22</sup>

In addition to these developments in Manchuria, a general challenge to the effective operation of the open door policy in China was offered by the Amai statement of April 17, 1934.<sup>23</sup> In this statement, the spokesman of the Tokyo Foreign Office claimed for Japan the right to act single-handedly in maintaining "peace and order in Eastern Asia." He declared that "any joint operations undertaken by foreign powers, even in the name of technical and financial assistance" to China, were "bound to acquire political significance." Specifically, Japan would oppose "supplying China with war planes, building airdromes in China, and detailing military instructors or military advisors to China or contracting a loan to provide funds for political uses."

The terms of this pronouncement were so drawn as to call into question a whole series of American economic and governmental relations with China. In May 1933 the Chinese Finance Minister, T. V. Soong, had arranged in Washington for a three-year, 50-million-dollar wheat and cotton credit to the Nanking government from the Reconstruction Finance Corporation.<sup>24</sup> American firms were also participating in the development of commercial aviation in China. In 1930, when the China National Aviation Corporation was formed, 45 per cent of the shares were American-owned, the remainder being held by the Chinese government. The American share in this enterprise, which has developed an extensive commercial air service in China, was acquired by Pan

17. For details, cf. T. A. Bisson, "Struggle of the Powers in China," *Foreign Policy Reports*, August 1, 1936, pp. 123, 125-26, 128-29.

18. U. S. Department of State, *Press Releases*, December 7, 1935, pp. 487-88.

19. *New York Times*, November 20, 1935.

20. *Far Eastern Survey* (New York, American Council, Institute of Pacific Relations), June 5, 1935, p. 84.

21. The texts of these protests were never made public.

22. *Far Eastern Survey*, cited, September 9, 1936, p. 208.

23. For text of statement, cf. Arnold J. Toynbee, *Survey of International Affairs, 1934* (New York, Oxford University Press, 1935), pp. 650-51.

24. Reconstruction Finance Corporation press release, June 17, 1935.

American Airways on April 1, 1935.<sup>25</sup> In 1932-1933, moreover, the Aeronautics Trade Division of the Commerce Department cooperated with American aircraft firms in the selection of a number of American aviation officers, who assisted in establishing training schools for Chinese pilots at Hangchow and Canton.<sup>26</sup> During this period the sale of American aircraft and accessories to China, including military planes, greatly expanded, rising from \$157,515 in 1932 to \$1,762,247 in 1933.<sup>27</sup> Had the Amau statement cut short these American relationships with China, it would have effectively riddled the open door provisions of the Nine-Power Treaty.

Following a British inquiry at Tokyo on April 25 concerning the Amau statement,<sup>28</sup> the American Ambassador to Japan delivered a note to the Japanese Foreign Minister on April 29. As published in substance by the State Department on April 30, this communication stated:

"Recent indications of attitude on the part of the Japanese Government" with reference to China, coming from "sources so authoritative as to preclude their being ignored," make it necessary for the American government to "reaffirm the position of the United States with regard to questions of rights and interests involved." The United States is "associated with China or with Japan or with both, together with certain other countries, in multilateral treaties relating to rights and obligations in the Far East, and in one great multilateral treaty to which practically all the countries of the world are parties. Treaties can lawfully be modified or terminated only by processes prescribed or recognized or agreed upon by the parties to them . . . . In the opinion of the American people and the American Government, no nation can, without the assent of the other nations concerned, rightfully endeavor to make conclusive its will in situations where there are involved the rights, the obligations, and the legitimate interests of other sovereign states"<sup>29</sup>

This communication did not call for a reply, and none was made. The vigorous rejoinders provoked by the Amau declaration, however, had indicated to Japan that enforcement of a veto on the intercourse of Western nations with China was still premature. Some of the American relationships

with China noted above have since been terminated. In April 1935 the Nanking government canceled the 50-million-dollar credit agreement, apparently owing to inability to dispose of the wheat and cotton in China; of the total amount, only \$17,105,385.80 was used.<sup>30</sup> Two months later the contract of the American aviation instructors at the Hangchow training school expired and was not renewed.<sup>31</sup> Pan American Airways, however, has continued its financial interest in the China National Aviation Corporation, now the most important commercial aviation enterprise in China. Curtiss-Wright completed the construction of its airplane plant at Hangchow, which is now turning out 60 military planes a year for the Nanking government.<sup>32</sup> Sales of American aircraft and accessories to China have continued on a considerable scale, amounting to \$3,778,262 in 1934, \$2,522,538 in 1935, and \$6,064,830 in the first nine months of 1936.<sup>33</sup>

Although the Amau statement had not been enforced, it had afforded a glimpse of Japan's ultimate objectives in China. At the same time, the American government had indicated that it was still intent on maintaining the unrestricted economic access of its citizens to China set forth in the open door provisions of the Nine-Power Treaty. Comparing this result with the course of events in "Manchoukuo," it was also made clear that the open door policy could only be upheld in areas over which China's territorial and administrative integrity was effectively maintained. Added proof of this fact could be adduced from the large-scale smuggling of Japanese goods into north China in 1936, made possible by the establishment of Yin Ju-keng's East Hopei "autonomous" régime in November 1935.<sup>34</sup> Although these smuggling operations seriously affected the position of Western powers in China's foreign trade, and undermined the security of foreign loans hypothecated on Chinese customs revenues, protests made by the British and American governments at Tokyo were entirely ineffective.<sup>35</sup>

#### NAVAL TREATIES VS. BUILDING PROGRAMS

Like the Nine-Power Treaty, the naval limitation agreements reached at Washington in 1922

25. For details, cf. *Memorandum on American Civil Aviation in the Pacific* (New York, American Council, Institute of Pacific Relations), May 4, 1934.

26. U. S. Senate, *Hearings Before the Special Committee Investigating the Munitions Industry*, Part 6, Exhibits 551-557; also pp. 1445-52.

27. *Ibid.*, pp. 1465-69; Commerce Department figures for 1932; for 1933, Department of Commerce, *Aeronautical World News*, February 15, 1936, p. 2.

28. For details of the British *démarche*, cf. Bisson, "Struggle of the Powers in China," cited, p. 124.

29. U. S. Department of State, *Press Releases*, May 5, 1934, pp. 244-45.

30. Reconstruction Finance Corporation press release, June 17, 1935.

31. *Christian Science Monitor*, October 3, 1935.

32. *Ibid.*, February 25, 1936.

33. *Aeronautical World News*, cited, February 15, 1936, p. 2; November 10, 1936, p. 10.

34. For details, cf. Bisson, "Struggle of the Powers in China," cited, pp. 128-29, 131-32.

35. The texts of these protests were not made public.

and extended in 1930 at London have undergone severe buffeting in recent years. In this sphere, also, the American government has fought a losing battle to maintain the terms of the Washington settlement. Japan's violation of the Nine-Power Treaty, which constituted one of the "interrelated and interdependent" agreements of the Washington Conference,<sup>36</sup> might have been used to justify an increase in the strength of the American navy over the 5-3 ratio. Instead, it was Japan which put forward the demand for a naval increase, claiming that its security was threatened by continued maintenance of the inferior ratio. At the preliminary naval conversations initiated by Britain in 1934, the Japanese delegation favored a "common upper limit" of naval tonnage for all powers—essentially a demand for parity. The United States, on the other hand, sought throughout these negotiations and in the conference which followed to maintain the Washington and London ratios. As Japan's delegates refused to discuss other questions until the principle of parity was conceded, the preparatory conversations were adjourned without result.<sup>37</sup> On December 29, 1934, after failing to secure concerted action by France and Italy, the Japanese government formally denounced the Washington naval treaty.<sup>38</sup>

After protracted diplomatic negotiations, a full-dress naval conference finally opened at London in December 1935.<sup>39-40</sup> The Japanese delegation still clung to its proposal for a "common upper limit" and on January 15, following rejection of this demand by the other powers, withdrew from the conference. A new naval treaty, providing for advance notification of building programs and certain qualitative limitations, was signed by France, Britain and the United States on March 25, 1936.

With regard to the Far East, this result left two major issues unsettled: the extent of the naval race which might develop, and the question of fortifications in the Pacific area. Britain, the United States and Japan have already made large additions to their fleets. Appeal to the escalator clause of the 1930 treaty has enabled the three powers to retain the greater part of serviceable over-age tonnage in cruisers, destroyers and submarines, which would otherwise have been scrapped prior to December 31, 1936.<sup>41</sup>

Britain is also preparing to lay down two new battleships in 1937, and the United States is planning to take similar action.<sup>42-43</sup>

During the London Conference, by tacit agreement, the issue of the future of the limits imposed on fortifications in the Pacific by Article 19 of the Washington naval treaty was not brought up for formal consideration. According to the American view, Article 19 was one of the elements in the general settlement reached at the Washington Conference, and was not susceptible of treatment apart from its context. At the conference the American delegates had been led to feel that Britain concurred in this view. Early in October 1936, however, Great Britain suggested to the American government that the provisions of Article 19 should be renewed, with certain modifications which would permit the modernization of existing fortifications.<sup>44</sup> This suggestion met with a cool reception at Washington, not only because it ran counter to the American position but also because of the implied assumption that Britain, which was itself vitally concerned in the issue, was acting as a disinterested intermediary between the Japanese and American governments.

While these changes were being effected in the treaty status of the fleets, the naval position of the United States had been materially strengthened. On taking office, the new administration embarked on the largest naval construction program since 1916. This effort was designed to bring the American fleet up to treaty limits by 1942, chiefly through the replacement of over-age vessels, and was therefore termed a "replacement" program. The first increment, consisting of 32 vessels, was covered by the \$238,000,000 secured by the Navy Department from the funds made available for public works projects under the National Industrial Recovery Act.<sup>45-46</sup> Contracts for these vessels were awarded in August 1933.<sup>47</sup> In March 1934, with the passage of the Vinson-Trammell Act, the Navy Department was authorized to proceed with its full treaty program, involving the construction of an additional 102 vessels.<sup>48</sup> Contracts for the

42-43. Fisher, "The Future of Naval Limitation," cited, p. 188; *New York Times*, December 1, 1936. Japan will probably follow the same course.

44. *New York Times*, October 8, 1936; *Christian Science Monitor*, October 15, 1936.

45-46. William T. Stone, "Impending Naval Rivalry," *Foreign Policy Reports*, April 11, 1934, p. 39.

47. Comprising two aircraft carriers, four cruisers, 20 destroyers, four submarines and two gun boats. Cf. *Hearings before the House Naval Affairs Committee on H.R. 6604*, January 22, 1934, p. 195.

48. Comprising six cruisers, 65 destroyers, 30 submarines and one aircraft carrier. Cf. 73d Congress, 2d session, H.R. 6604.

36. Secretary Stimson's letter to Senator Borah, *The Far Eastern Crisis*, cited, p. 171.

37. Helen Fisher, "The Future of Naval Limitation," *Foreign Policy Reports*, October 1, 1936, pp. 180-81.

38. For text, cf. *Treaty Information*, December 1934, pp. 4-9. 39-40. Cf. Fisher, "The Future of Naval Limitation," cited, pp. 181-87.

41. For details, cf. Fisher, "The Future of Naval Limitation," cited, pp. 186-87; also *New York Times*, December 23, 1936.



construction of these vessels have been regularly awarded from year to year; the full program will be built or building by 1940, and completed by 1942.<sup>49</sup>

The Vinson-Trammell Act also made provision for a naval aircraft building program, which has been progressing toward a goal of 1,910 planes by 1940-1942.<sup>50</sup> Other provisions enabled the replacement of two additional light cruisers of the *Omaha* class in 1936, for which the contracts have since been awarded,<sup>51-52</sup> and authorized the replacement of existing capital ships after December 31, 1936.

The maximum effect of this building program on naval expenditure is currently being reached.<sup>53</sup> Total Navy Department expenditure was 297 million dollars for the 1934 fiscal year, and 436 million for 1935. During the fiscal years 1936 and 1937, estimated Navy Department expenditure was 564 and 609 million respectively. Replacement expenditures, mainly for new construction, were respectively 66 and 133 million dollars in the fiscal years 1934 and 1935; for the two following years, they were estimated at 205 and 230 million respectively. Funds obtained from the public works and other emergency enactments supplied a considerable proportion of naval expenditures during this period. Allotments from such emergency funds totaled respectively 23 and 115 million dollars in the fiscal years 1934 and 1935, and were estimated at 138 and 41 million respectively in 1936 and 1937.

#### NEW FAR EASTERN ISSUES

The problems so far considered have traditionally preoccupied American diplomacy in the Far East: equality of opportunity in Chinese trade and investment, or the open door policy, for at least a century; China's territorial integrity since 1899; and the relative naval status of the Pacific powers since the World War. In the past few years these issues have been handled in the main along the normal lines of action marked out by previous crises, with no evidence that the American government intends to surrender its customary position and objectives in the Far East. Several new features of considerable significance, however, have come into prominence during the Roosevelt administration. In order of importance, these may

be ranked as follows: the Philippine Independence Act, inauguration of an American-owned trans-Pacific airline, the silver purchase policy, and the neutrality legislation as it affects the Far East.

More than any other recent step, the Philippine Independence Act may be interpreted as a significant departure in American Far Eastern policy.<sup>54</sup> Barring unforeseen developments, this Act commits the United States to surrendering its major territorial stake in the Far East within the next decade. Under its provisions a Commonwealth government with certain autonomous powers was inaugurated at Manila on November 15, 1935. This transitional régime will exist until July 4, 1946, when the Philippine Commonwealth is scheduled to attain complete independence.

During the transitional period, however, a number of important questions remain to be settled. The Act provides that a Philippine-American trade conference, which will consider possible modification of the commercial provisions, shall be held at least one year before July 4, 1946.<sup>55</sup> The President of the United States is "requested" to negotiate a treaty for the perpetual neutralization of the Philippine Islands. Until 1946 the American government retains full responsibility for the defense of the Philippines. The United States continues to maintain its military reservations in the Islands, as well as its naval reservations and fueling stations; the former will be surrendered when full independence is attained, while the latter will be retained pending the outcome of negotiations as to their disposition which must be initiated two years before July 4, 1946. Although the attainment of independence is not contingent on these matters, it is certain to be materially affected by adjustments and developments which take place with respect to them.

Action taken with regard to the problem of Philippine security, which is crucial both from the domestic point of view and for its implications as to American policy, has so far been directed more to building up military defenses than to concluding a neutralization agreement.<sup>56</sup> A national defense program for the Islands has been launched under the supervision of General Douglas MacArthur, former Chief of Staff of the United States Army, who heads an American military mission to the Philippines under Congressional statute of May 14, 1935. General MacArthur has

49. *Navy Department Appropriation Bill for 1937*, Hearing before subcommittee of House Committee on Appropriations, 74th Congress, 2nd session, pp. 4-5.

50. *Ibid.*, p. 492; for details see Table O, pp. 489-91.

51-52. *Ibid.*, p. 43.

53. For the figures quoted, cf. *The Budget of the United States Government* for the fiscal year ending June 30, 1936, p. A 76-77; *The Budget of the United States Government* for the fiscal year ending June 30, 1937, p. A 60-61.

54. For detailed treatment of the Philippine problem, cf. David H. Popper, "Creating a Philippine Commonwealth," *Foreign Policy Reports*, December 15, 1936.

55. On the economic problems involved, cf. *ibid.*, pp. 237-42.

56. For details, cf. *ibid.*, pp. 242-43.

established a Philippine conscription system, with preliminary military training in the public schools beginning at ten years of age, designed to create 400,000 reservists and partially train 1,250,000 men by 1946. Critics have attacked both the internal and external implications of this scheme. They point to the financial burden entailed, the untoward effects on the educational system, and the fact that it places a potentially dictatorial weapon in the hands of President Quezon to crush social unrest. Until 1946, moreover, the army built up in the Philippines will constitute an integral part of the military forces of the United States. Should war between Japan and the United States occur during this period, the Philippine conscript army would be an adjunct of American military strength in the Far East. For the immediate future, at least, an act for the independence of the Philippines has thus had the anomalous result of involving the United States even more closely in the political and military developments of eastern Asia.

In the field of commercial aviation, the United States has forged close links with its Far Eastern possessions during the past three years. The project for a trans-Pacific airline, conceived by Pan American Airways in 1933, passed rapidly through its experimental stages to full realization in 1935 and 1936. Special "Clipper" ships for this service, with a long cruising radius, were tried out in 1934 on the Pan American's Caribbean and other Latin-American routes. While these test flights were being carried out, preparations were made to secure and equip landing stations on the island "stepping stones" across the Pacific. On December 29, 1934 Wake Island was placed under jurisdiction of the Navy Department by executive order of the President,<sup>57</sup> and on March 14, 1935 Secretary Swanson granted permits to Pan American Airways to construct landing facilities at Guam, Midway and Wake Islands.<sup>58</sup>

Two weeks later the 15,000-ton freighter *North Haven* sailed from San Francisco, with 6,000 tons of cargo, 44 aviation technicians and 74 construction men, to establish the necessary airport bases and passenger accommodations on the islands.<sup>59</sup> Experimental trans-Pacific flights were carried out during the summer, and on October 24, 1935 Pan American Airways was awarded a mail contract by the government.<sup>60</sup> On the same day air mail from Guam, under a special postal permit for

souvenir purposes, was delivered at Alameda, California; and regular air mail service was immediately inaugurated. A year later, on October 21, 1936, regular passenger service on the trans-Pacific air route was initiated.

During this period Pan American Airways had been unable to extend its trans-Pacific service further than Manila. As early as April 1, 1933, when Pan American purchased a 45 per cent interest in the China National Aviation Corporation, the intention had been to establish air connection with China as well as the Philippines. Realization of this aim had been balked by difficulties over securing a terminus in China, owing to the Nanking government's apprehension that Japan would immediately demand similar privileges. On September 16, 1936, however, it was announced that Hongkong would be the western terminus of the trans-Pacific airline and that the China National Aviation Corporation was also extending its service to Hongkong.<sup>61</sup> These extensions have since become operative, thus completing the final link between the airlines of China and the United States.

Meanwhile a Japanese airline, cutting south across the American route and circling around it west of Hawaii, has been established in Japan's mandated islands. Like all commercial airlines, both these services have military potentialities, particularly in connection with their island bases and harbors. For several years questions have been repeatedly raised by the League's Mandates Commission with regard to the improvements effected by Japan at Saipan harbor.<sup>62</sup> According to recent disclosures, United States army engineers have now proposed the expenditure of \$2,041,000 on improvement of the seaplane bases at Midway and Wake Islands for the Pan American airline.<sup>63</sup>

Like the Philippine Independence Act, the silver purchase policy inaugurated by the American government in June 1934 was stimulated mainly by pressure from domestic economic interests. The ultimate effects of this policy, especially in relation to China, were quite different from what its sponsors had intended. By reducing China's exports, it

August 13, 1935. All facilities for flight, landing and trans-shipment of mail had to be provided by the company, which received approximately \$16,000 a trip. The rate was \$2 a mile on a load up to 800 pounds, with \$1 a thousand miles for each pound of excess load.

61. *New York Times*, September 13, 1936.

62. Saipan harbor, however, is a poor defensive site. Such natural strategic points as the excellent harbor at Palau, with its Japanese airport, are of much greater military importance. Cf. Willard Price, *Pacific Adventure* (New York, Reynal and Hitchcock, 1936), p. 198.

63. *New York Times*, November 15, 1936.

57. Midway and Guam had previously been placed under Navy Department jurisdiction in 1903.

58. *New York Times*, March 14, 1935.

59. *Ibid.*, March 28, 1935.

60. *New York Herald Tribune*, October 25, 1935; also Post Office Department, *Advertisement for Foreign Air Mail Service*,

accelerated the deflationary process already under way in Chinese economy, which culminated in a serious financial and economic crisis in 1935.<sup>64</sup> This result ran counter to the general trend of American policy, and dealt a severe blow to American prestige in China.

In November 1935, when China was forced to establish a managed currency in place of its traditional silver standard, several new factors were introduced into the situation.<sup>65-66</sup> This Act removed the largest natural silver purchasing country from the world market, leaving the American Treasury virtually the sole purchaser. The Nanking government was also faced with the necessity of securing a foreign loan or, alternatively, disposing of some of its silver stocks in order to secure funds for maintaining a stable exchange rate. This problem was solved in May 1936, when the American Treasury reached an agreement with a Chinese financial delegation to make "substantial purchases" of silver from China. In pursuance of this agreement, the Chinese government has built up a reserve for currency stabilization purposes which is maintained chiefly in New York. One result of the silver purchase policy has thus been to forge a new economic link between China and the United States.

The eventual effects of the Philippine Independence Act on American policy in the Far East are still not clear; the trans-Pacific airline and the agreement to purchase China's silver both represent new involvements by the United States; the neutrality legislation, in so far as it affects the Far East, constitutes an effort to keep the United States free of any conflict in that area. As amended on February 29, 1936, the neutrality resolution of the 74th Congress prohibits the sale of munitions to belligerents, whenever the President finds that a state of war exists between two or more countries and issues a proclamation to that effect. A similar prohibition is placed on dealings in the bonds, securities or other obligations of the government of a belligerent country. Another section of the resolution set up a Munitions Control Board, empowered to register munitions manufacturers and license munitions exports beginning December 1, 1935. The provisions for the embargo on munitions exports and dealings in foreign securities expire on May 1, 1937.<sup>67</sup>

64. Cf. John Parke Young, "The United States Silver Policy," *Foreign Policy Reports*, July 1, 1936, pp. 102-104.

65-66. *Ibid.*, p. 104-105.

67. For text, cf. 74th Congress, Public Resolutions Nos. 67 and 74; cf. also Raymond Leslie Buell, "The New American Neutrality," *Foreign Policy Reports*, January 15, 1936.

This resolution was drawn up mainly with an eye to the European crisis, leaving some doubt that its implications for the Far East were thoroughly examined. It raises the general question whether the measures now being taken by the United States with regard to the Far East, where its political interests are much more clearly marked than in Europe, can be reconciled with a neutrality program. Equally important is the possible effect of the neutrality legislation on the critical relations existing between Japan, China and the U.S.S.R., and the eventuality of war between these states. Two main contingencies have to be taken into account. In case of a Soviet-Japanese conflict, which would involve two advanced industrial countries, the neutrality act would bear more or less equally on both belligerents. This would not be true, however, in the case of a Sino-Japanese conflict. Japan, with its highly developed munitions industry, would be able to continue purchases from the United States of raw materials used in the manufacture of implements of war. China, on the other hand, would be unable to purchase the manufactured munitions which it cannot itself produce in sufficient quantities. In order not to discriminate against China, the neutrality act would have to be extended to include raw materials as well as munitions.

#### CONCLUSION

Along some lines the Far Eastern situation has undergone a change remarkably similar to that of the years just preceding the Washington Conference. The difficulties confronting the continued progress of Japanese expansion on the Asiatic mainland have gradually increased, appearing in the same sectors as in 1919-1921. China was virtually helpless before the Japanese onslaught until 1935; during the past year, however, a new nationalist movement, again stimulated in the first instance by student demonstrations, has swept the country, strengthened its political unity, and forced an increasing measure of resistance to Japanese encroachments. The U.S.S.R. has not only thrown up formidable defenses in eastern Siberia, but by its successful program of industrialization and agricultural collectivization has become a first-class military power, which can be attacked only at serious risk. With the worst of the depression left behind, the United States is once more in a position to throw the full weight of its influence into the Far Eastern political scales. Of late Britain has become conscious of the threat to its interests in the Far East, and is more actively seeking a way to

protect them. These factors have not passed unnoticed in Japan, and there is growing evidence that the Japanese public is beginning to question the wisdom of the militarists' program. In these various respects, the underlying conditions which made possible the achievement of the Washington Conference settlement in 1921 have begun to re-emerge in 1936-1937.

There are certain fundamental differences, however, between the world situation today and in 1921. The military leaders of Japan have staked their position on a program of expansion much more irrevocably than in the earlier period, and for that reason are much more determined to carry through to a finish. It is much less certain that their dominance can again be effectively challenged, as it was in most of the 1921-1931 decade. Although the anti-Communist pact concluded with Germany on November 25, 1936 met with a hostile reaction in many Japanese circles, its consummation represented another victory for the military clique, as did also the large increase of military-naval expenditures in the proposed budget for 1937-1938. The Berlin pact, moreover, ties up the Far Eastern problem directly with the European problem. In 1921 Europe, as well as the United States, was intent on binding up the wounds of the war and seeking a way back to "normalcy." Today Europe is engaged in an armament race of large proportions, and is in the grip of a feverish political crisis.

With a considerable measure of caution and reserve, marked especially by the neutrality legislation, the United States has also been preparing for all eventualities. Fundamentally, it shows no intention of retreating from the Far East, despite Japan's successful challenge to the international agreements of the Washington Conference. Confronted with the collapse of the treaty structure in the Pacific, the American government has continued to support the principles of the open door policy and China's territorial integrity, as embodied in the Nine-Power Treaty. Recent developments, such as the trans-Pacific airline, have linked the United States even more closely with the Philippines and China. American technical and financial aid has been extended to China's commercial and military aviation. Philippine independence will hardly be achieved before the rising international storm has either broken or dispersed; in the meantime, the Philippine conscript army is a military arm of the United States in the Far East. There is no sign that the United States is prepared to extend the ban on fortification of insular pos-

sessions and naval bases in the Pacific. The naval building program is proceeding rapidly, and is no longer restricted by quantitative limitations. The floating dock for the Pearl Harbor base, the emphasis on bombing planes with a long cruising radius, and American insistence on retaining large-size battleships are all indications that the naval authorities at Washington are thinking in terms of long range naval operations. These preparations can be used to enforce an international settlement of Far Eastern issues, as at the Washington Conference; they can also be used to support unilateral action in defense of American interests in China and the Philippines.

There is little possibility that the two alternatives to this middle-of-the-road course, advocated by isolationists on the one hand and internationalists on the other, will greatly affect the direction of American Far Eastern policy in the immediate future. Complete withdrawal from the Philippines before 1946 is improbable. American support of the principles of the open door policy and China's territorial integrity is too well grounded to be easily shaken. Reduction of American naval strength to conform with a policy of continental defense would necessitate reversal of the present naval building program. Yet measures such as these, unlikely as they are, would be required to give substance to the neutrality legislation as it affects the Far East.

On the other hand, the prevailing isolationist sentiment in the United States acts as a brake on any decisive international initiative by the American government directed toward preventing the spread of hostilities and the outbreak of war in the Far East. Concerted action by the United States and other powers against Japanese aggression in China either through the League of Nations or under the Nine-Power Treaty, which is favored by adherents of collective security, would be more difficult to achieve now than several years ago. Even joint diplomatic cooperation by the United States with Britain and the U.S.S.R., whose interests are equally threatened by Japanese expansion, would be viewed with suspicion by wide sections of the American public.

For the time being, at least, the American government is thus committed to an independent course of action which seeks to maintain the customary position of the United States in the Far East. This policy, which neither achieves real withdrawal nor takes any effective steps to prevent the outbreak of war, creates the danger that the United States will ultimately be involved in any conflict which may develop in the Pacific area.